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Virtual currency 'Ripple' effect takes SBI to 9-year high-Nikkei Asian Review



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WOW!



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Hoping good from xrp too. Waiting for lamsum profit from xrp for long term. I m not touching xrp for at least 4.5 years from now. It is locked as fixed deposit. Best of luck to all xrp hodler.



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Replying to @patgriffin9 and @cryptocoley

I like what I've been reading recently!!! @Ripple



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Soon many banks and financial institutions will realize that holding \$xrp is a very good asset and store of value in addition to cost savings device for cross border transactions. Each bank / FI that announces alliance with @Ripple \$xrp will enjoy spike in share price . AMEX NEXT



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@patgriffin9

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Patrick is the SVP of Biz Dev at Ripple

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The Ripple logo adorns a wall at a banking and financial conference in Toronto on Oct. 19. © Reuters

CURRENCIES

Virtual currency 'Ripple' effect takes SBI to 9-year high

Investors see massive unrealized gains on brokerage's stake in XRP operator

YUKO NOMURA, Nikkei staff writer

DECEMBER 16, 2017 02:33 JST

TOKYO -- The cryptocurrency bubble has revealed itself in the stock market here as investors flock to **SBI Holdings**, betting that the brokerage's links to U.S. virtual currency operator Ripple will yield massive investment gains as its XRP's price soars.

The financial services firm climbed 13% on Friday to finish at a roughly nine-year high of 2,568 yen. The issue clocked in eighth on the first section of the Tokyo Stock Exchange by turnover, which rose around 250% from Thursday.

Some onlookers were baffled. "Why's it climbing so high today?" asked a fund manager with shares in SBI. Such other brokerages as **Nomura Holdings** and **Matsui Securities** have moved little since the start of December.

Early adopter

The answer lies in SBI's links to financial technology -- the very reason that the fund manager picked the stock above other financials in the first place. The Japanese brokerage holds a 10% stake in Ripple, which operates a blockchain-based payment network built on XRP -- the third-largest cryptocurrency on the market today, behind bitcoin and Ethereum. The companies also have joint venture SBI Ripple Asia.

XRP's market value now sits not far from \$31 billion. And with settlement speedier than bitcoin by a factor of 1,200, and transaction costs slashed to 1/18,800 as much, interest is growing fast. One unit of XRP fetched around 27 cents Tuesday. Its value had more than tripled by Friday, reaching nearly 90 cents in the early morning.

SBI's stake in Ripple means that the Japanese company shares in this growth, at least as investors see it. Of the 100 billion units of XRP currently in existence, 40% circulate on the market, while the remaining 60 billion reside with Ripple. If it stands to reason that the value of these holdings has risen in line with the currency's market price, SBI is sitting on nearly \$5.5 billion in unrealized investment gains. The company's market capitalization at Friday's close was 576 billion yen (\$5.12 billion).

Not so fast

The push into SBI shows that many are convinced by this math. Investors and analysts have been flooding its investor relations department with questions as to how changes in the price of XRP affect the value of Ripple, according to the company. The Accounting Standards Board of Japan is even working on a rule that would have companies book changes in the market value of their virtual currency holdings as a profit or loss at the end of each fiscal year.

But SBI operates under International Financial Reporting Standards and so is not bound by ASBJ rules. Under IFRS, businesses can handle virtual currencies on a case-by-case basis depending on the nature of their operations and need not use market value as a yardstick. In fact, volatility in virtual currency prices would expose companies using this measure to a high margin of error in their earnings.

While the matter is "still under discussion, we have no plans to reflect changes in XRP in our valuation of Ripple," a senior SBI official said. The Japanese company's surge seems simply a case of the virtual currency bubble bleeding over to the stock market -- and could portend a tumble if and when the bubble finally pops.